

## Rating

**SUBSCRIBE (Listing Gain)**

## Issue Offer

Issue Opens on	Oct 28, 2021
Issue Close on	Nov 01, 2021
Total IPO size (cr)	5,351.92
Fresh issue (cr)	630
Offer For Sale (cr)	4,721.92
Price Band (INR)	1085 - 1125
Market Lot	12
Face Value (INR)	1
Retail Allocation	10%
Listing On	NSE, BSE

Incorporated in 2012, Nykaa is a consumer technology platform, delivering a content-led, lifestyle retail experience to consumers. The company has a diverse portfolio of beauty, personal care, and fashion products, including their own brand products manufactured by them. The company operates under 2 major verticals: Nykaa: Beauty and personal care and Nykaa Fashion: Apparel and accessories. They have a diverse portfolio of beauty, personal care and fashion products, including their owned brand products manufactured by them.

- As of March 31, 2021, Nykaa offered approximately 3.1 million SKUs from 4,078 national and international brands to their consumers across business verticals. For the 3 months ended June 30, 2021, the total GMV was ₹1,469.61 crore, which grew 238.8% from the 3 months ended June 30, 2020.
- The beauty and personal care offering is extensive with 256,149 SKUs from 2,644 brands primarily across make-up, skincare, haircare, bath and body, fragrance, grooming appliances, personal care, and health and wellness categories as of August 31, 2021

## Objects of the issue

1) Investment in Subsidiaries 2) Capital expenditure. 3) Repayment of debt. 4) General corporate purposes.

- The company manufactures owned brand beauty and personal care which are sold under their owned brands such as “Nykaa Cosmetics”, “Nykaa Naturals” and “Kay Beauty”.
- The company provides an omnichannel shopping experience to its customers by providing both online and offline shopping channels. Online channels include mobile apps, websites, and mobile sites while in the offline channel Nykaa opened their first physical store in 2014, and has 80 physical stores across 40 cities as of August 31, 2021. Their physical stores currently exist in 3 formats, Nykaa Luxe, Nykaa On Trend and Nykaa Kiosks.

## Issue Break-up (%)

QIB Portion	75
NIB Portion	15
Retail Portion	10

## Shareholding (No. of Shares)

Pre Issue	467,036,850
Post Issue	472,924,550

## Indicative Timetable

Finalisation of Basis of Allotment	08-11-2021
Refunds/Unblocking ASBA Fund	09-11-2021
Credit of equity shares to DP A/c	10-11-2021
Trading commences	11-11-2021

**Outlook & Valuation:** Nykaa redefined the art of e-retailing beauty and personal care in India. Nykaa's revenue for FY 2021 was at Rs 2,452 crore VS Rs 1,777 cr while profit for the year in the FY 2021 was Rs 61.9 cr, as compared to a restated loss of Rs 16.3 cr for 2020. Q1FY22 financials also looked better than previous years, but need to see how it grows further. The beauty and personal care market have a large market opportunity especially in India where millennials are more into buying brands and look for easy buying options such as e-commerce. At the upper price band of Rs 1125, the PE works out to be 839x and the price to sales comes at 21.6x to its FY21 earnings. The valuation of the IPO is pretty high however eyeing the higher valuations of other unicorns we may expect some listing gain. **Thus, we assign a “SUBSCRIBE” rating to the IPO only for listing gains.**



## KEY MANAGERIAL PERSONNEL

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- Falguni Nayar is the Founder, Executive Chairperson & Managing Director and Chief Executive Officer of the company. She has over 26 years of experience in e-commerce, investment banking and broking. Prior to founding the company, she was associated with Kotak Mahindra Capital Co Ltd for 18 years where she also served as a managing director.
- Sanjay Nayar is an Additional Non-Executive Director of the company. He has over 35 years of experience in the banking, and private equity. He was associated with Citibank N.A. for over 23 years, where he also served as the chief executive officer of the bank in India over 6 years. He was chief executive officer of KKR India Advisors Pvt Ltd from 2009 to 2020.
- Adwaita Nayar is the Executive Director of the company, since July 1, 2021. She also serves as the chairperson and chief executive officer of Nykaa Fashion. She co-founded the company and has been involved in the areas of marketing, operations and product development.
- Anchit Nayar is the Executive Director of the company, since July 1, 2021. He also serves as the chairman and chief executive officer of Nykaa E-Retail. He has previously served as the vice president of the Investment Banking Division at Morgan Stanley, New York. He is currently responsible for the beauty business and also serves as a member of the investor relations team
- Arvind Agarwal is the Chief Financial Officer of the company. He has been associated with the company since June 1, 2020. He has over 21 years of experience in various fields, including accounting, finance, regulatory and strategic planning. Previously, he was associated with Amazon Seller Service Pvt Ltd, Vodafone India Ltd, Tata Teleservices Ltd, YOU Telecom and Adani Port Ltd.
- Rajendra Punde is the Head - Company Secretary & Legal and Compliance Officer of the company. He has been associated with the company since October 22, 2020. He has more than 17 years of experience in legal, compliance and company secretarial.

## COMPETITIVE STRENGTHS

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- Continue to acquire new consumers and increase consumer loyalty
- Deepen and broaden the brand relationships
- Leveraging on art of retailing to expand into lifestyle adjacencies and launch new channels
- One of India's leading specialty beauty and personal care companies.
- Major brands offering their products on Nykaa's platform for sale
- Capital efficient business with strong growth and profitability
- Company's advanced technology platform

## KEY CONCERNS

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- They may not be able to boost revenue if they are unable to attract new customers or do it in a cost-effective manner.
- Any damage to their brand or reputation could have a negative impact on their business.
- The sale of their own items exposes them to new risks and increases the severity of others.
- They operate in an extremely competitive sector, and their inability to compete successfully could affect their bottom line.
- Their business' seasonality has an impact on their quarterly performance and puts a burden on their operations.

## FINANCIALS (RESTATED CONSOLIDATED)

Particulars (Rs. In Millions)	FY 2021	FY 2020	FY 2019
Equity Share Capital	150.58	145.50	142.43
Other Equity	4,748.81	3,075.99	2,163.15
<b>Net Worth</b>	<b>4,899.39</b>	<b>3,221.49</b>	<b>2,305.58</b>
Total Borrowings	1,874.65	2,675.49	2,256.43
<b>Revenue from Operations</b>	<b>24,408.96</b>	<b>17,675.33</b>	<b>11,113.94</b>
EBITDA	1,614.26	810.55	205.10
Profit Before Tax	753.38	(124.30)	(317.20)
<b>Net Profit for the year</b>	<b>619.45</b>	<b>(163.40)</b>	<b>(245.39)</b>

## COMPARISON WITH LISTED INDUSTRY PEERS

There are no listed companies in India that engage in a business similar to that of the Company. Accordingly, it is not possible to provide an industry comparison in relation to the Company.

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